Saskatchewan

A D F

Agriculture Development Fund

FINAL REPORT

DEVELOPING AND MAINTAINING A NETWORK FOR IN-STORE MARKET

20000163

Funded by
The Agriculture Development Fund

Feburary 7, 2001
Prepared by: BioHemp Technologies

SAF
Saskatchewan Agriculture & Food
Adding value to agriculture...through research and development

Final Report: Developing and Maintaining a Network for In-Store Market Assessment

A) Summary:
The Projects Objectives Observations and Conclusions

Information gathered within the first two months of the program led BioHemp to increase it's product line to include four new sku's of products including a 1 litre size of Mum's Original Hempseed Oil, toasted and toasted salted hempseeds, and hulled hempseed protein. Availability of these new sku's led to a sales increase of 40% from October to November. Sales of Mum's Original oil continues to grow monthly, and the introduction of Mum's Hulled Hempseed Protein is now running a close second to the oil sales. These two products are found in the refrigerator of retailers who continue to fill space normally dedicated solely to flax products with Mum's Original.

B. Technical Report

Project activities, achievements, papers, presentations etc.

- BioHemp's VP of Sales and Marketing, Martine Carlina, traveled to Toronto, Vancouver, Calgary, Ottawa, Montreal, London, Chicago, and Detroit during the project to facilitate and/or train staff for the assessment program.
- BioHemp has achieved increased sales and collected information that reinforces the effectiveness of BioHemp's strategy of in-store market assessments and commitment to certified organic hemp.
- BioHemp collected information from our retailers asking us to package our oil in larger bottles and our toasted hempseeds in smaller packages.
- BioHemp successfully launched 1-litre bottles of MUM'S ORIGINAL and 8oz bags of MUM'S ORIGINAL toasted hempseeds, and Mum's Original Hulled Hempseed Protein at the Canadian Health Food Show Expo East.

Discussion of Results and Conclusions:

- Without the instore market assessments the public would be relatively unaware of the benefits of hempfood.
- Consumers preferred the taste of Mum's Original to other hempseed oils on the market.
- Pre-launching product within the framework of the instore market assessment helped to facilitate sales immediately.
- BioHemp is seldom asked to discount prices as a result of the retail support offered through the assessment program.
- Canadians understand the difference between hemp and marijuana.

Retailers have expressed interest in any certified organic hempfood product that we can bring to market. BioHemp is now exploring the development of milled hempseeds, as well as changing the bottling of Mum's Original Hempseed Oil now found in plastic to glass as a result of the assessment program.

Information to Benefit Processors and Government

- Consumers will if given a choice choose organically derived products.
- Consumers in assessment locations are completely aware of pesticide and gmo issues. 90% of these consumers will pay 30% more for organically grown products.
- Retailers will list certified organic product over conventionally derived product in almost every case.
- Rancidity continues to be an issue in terms of purchasing efa oils.
- Instore support for efa oils and natural products in general continues to be poor.
- Consumers are purchasing functional foods over nutraceuticals.

Impact of Project on Sales and Marketing

- Mum's Hempseed oil continues to be BioHemp's top product as well as the fastest moving hempseed oil in the Canadian Health Food Retail sector.

Research for the instore assessment began in May of 2000 and was formally underway in August 2000. The goal of the program was to gather information from the marketplace to apply to product development, to find out what products the marketplace wants BioHemp to develop, and to increase market share of existing product line.

When the assessment program began Mum's Original consisted of 3 SKU's including Mum's oil (250 ml), Mum's capsules, and Mum's flour. BioHemp also sold retailers bulk toasted and toasted salted seeds.

Within the first month of assessments we were told by retailers if we packaged the toasted and hulled products they would buy. Retailers also requested a recipe brochure in order to help them sell our products. This led us to package these products and launch them in late October with the recipe brochure. The introduction of the recipe brochure reinforced what our customers were telling us. As a result sales grew as the fear of experimenting with something new became less inhibiting. The attention to our retailer's educational needs has led to consistent re-orders. Three consumer wellness shows including Calgary, Toronto, and Vancouver have all led to increased sales in their respective territories.

Unfortunately our sales representative in Vancouver fell ill in November, which led to her leaving BioHemp. Despite this after the Vancouver Health and Wellness Show and without a representative in Vancouver BioHemp has experienced an opening of 6 locations since January 1, 2001.

It is clear that the sales of Mum's are most successful where the sales rep in each territory is performing the assessment. Of course the sales to consumers correlate directly to their sales, which makes them extremely effective. Hiring of demonstration staff remains difficult because they do not hold stock and are therefore completely reliant on the retailer being prepared for the assessment, which is seldom the case. The first two months of the program were difficult as the retailers displayed little confidence in hemp sales, which led them to consistently short order stock. Sales in the urban centres are now stabilizing without the presence of the assessment program.

In urban centres assessments produce a higher rate of residual orders when complimented by media. The interest in hemp whether it be in terms of agriculture,

leisure, or politics continues to be an asset in it's marketing. We continue to receive the best media exposure in Saskatchewan and Alberta. The continuous jump in sales in the months the assessment program operated is our most clear indication of the success of the assessment program. Sales in October went up 30%, November they more than doubled, and in December stabilized which is a typically slow month for distributors in the health food business.

It is clear that the direct consumer contact facilitated by the instore assessment is the best form of marketing new and innovative products. Functional foods need to be explained in terms that the public can understand. BioHemp's assessment program reached over 2000 people.

The calibre and performance of our representatives in the field continue to reinforce our decision to distribute direct to retailers. It is crucial that BioHemp has the ability to oversee our locations with diligence and coordinate the instore support that they require to facilitate greater sales and consistent re-orders.

Mum's Original Certified Organic Hempseed Oil continues to lead in hempseed oil sales and due to education received through the assessment program hemp is now recommended for a number of ailments, which had traditionally been remedied with flax according to our retailers.

Distribution obtained in Quebec as language is a problem.

Overview of Assessment Program

D) Equipment:

A blender was purchased plus cabbage for coleslaw and additional food for in-store market assessments, plus spoons and Dixie cups.

E) Project Development Materials:

Along with this report are samples of our new SKU's, brochures and poster.

F) Project Photos

No project photos where taken.

G. Acknowledgement

1 CHFA East Health Food Show, Toronto, On.

Many references were made to numerous health food retailers and trades people how the ADF had aided BioHemp in the grant given in order to be in Ontario pursuing the instore assessments.

2 NAIHC (North American Industrial Hemp Council) General Meeting, Rosedale, Illinois.

Continued reference to the ADF for their support.

3 Saskatchewan Nutraceutical Network AGM Oct. 2000

Jason Freeman spoke on an industry panel and acknowledged ADF for support.

4 Vancouver Health and Wellness Show November 2000

Continued acknowledgment of ADF.

5 Toronto Health and Wellness Show

Continued acknowledgement of ADF

6 All instore market assessments staff was informed of the support of ADF.